

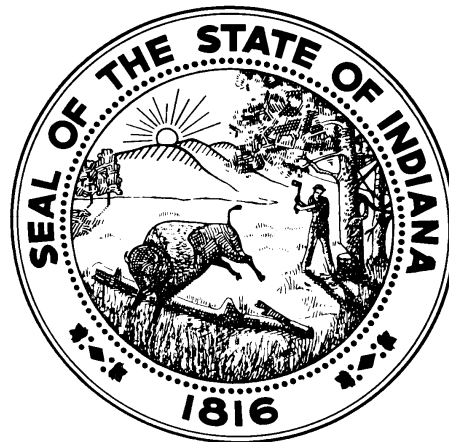
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF BICKNELL

KNOX COUNTY, INDIANA



FILED
08/06/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda Flickinger Rita Dupire	01-01-04 to 12-31-07 01-01-08 to 12-31-11
City Judge	Jon M. McKinnon Andrew Moreland	01-01-04 to 12-31-07 01-01-08 to 12-31-11
Mayor	Tom Trowbridge Jon G. Flickinger	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Tom Trowbridge Jon G. Flickinger	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Common Council	Steve Volling Greg Bourlard	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Water Utility	Earl Horst	01-01-07 to 12-31-08
Superintendent of Wastewater Utility	James Hubbard	01-01-07 to 12-31-08
Utility Office Manager	Rebecca L. McGlone	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE CITY OF BICKNELL, KNOX COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bicknell (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2007, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated July 10, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 10, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF BICKNELL, KNOX COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bicknell (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 10, 2008

CITY OF BICKNELL
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 438,702	\$ 36,196	\$ 122,351	\$ 77,519	\$ (202,636)	\$ -	\$ (202,636)
Public safety	385,020	6,775	7,911	-	(370,334)	-	(370,334)
Highways and streets	269,094	-	186,574	-	(82,520)	-	(82,520)
Sanitation	58,547	57,338	-	-	(1,209)	-	(1,209)
Health and welfare	31,600	-	2,500	-	(29,100)	-	(29,100)
Culture and recreation	64,625	-	56,612	-	(8,013)	-	(8,013)
Total governmental activities	1,247,588	100,309	375,948	77,519	(693,812)	-	(693,812)
Business-type activities:							
Water	402,155	395,906	-	-	-	(6,249)	(6,249)
Wastewater	979,805	916,973	-	-	-	(62,832)	(62,832)
Total business-type activities	1,381,960	1,312,879	-	-	-	(69,081)	(69,081)
Total primary government	\$ 2,629,548	\$ 1,413,188	\$ 375,948	\$ 77,519	(693,812)	(69,081)	(762,893)
General receipts:							
Property taxes					946,886	-	946,886
Other local sources					299,807	20,511	320,318
Unrestricted investment earnings					1,941	7,636	9,577
Total general receipts					1,248,634	28,147	1,276,781
Change in net assets					554,822	(40,934)	513,888
Net assets - beginning					374,201	796,017	1,170,218
Net assets - ending					\$ 929,023	\$ 755,083	\$ 1,684,106
<u>Assets</u>							
Cash and investments					\$ 69,028	\$ 130,412	\$ 199,440
Restricted assets:							
Cash and investments					859,995	624,671	1,484,666
Total assets					\$ 929,023	\$ 755,083	\$ 1,684,106
<u>Net Assets</u>							
Restricted for:							
General government					\$ 233,560	\$ -	\$ 233,560
Public safety					26,125	-	26,125
Highways and streets					114,938	-	114,938
Sanitation					165,651	-	165,651
Economic development					184,134	-	184,134
Culture and recreation					117,196	-	117,196
Debt service					1,120	478,115	479,235
Other purposes					17,271	146,556	163,827
Unrestricted					69,028	130,412	199,440
Total net assets					\$ 929,023	\$ 755,083	\$ 1,684,106

The notes to the financial statements are an integral part of this statement.

CITY OF BICKNELL
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Sanitation	Rainy Day	CEDIT	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 567,801	\$ 283,268	\$ -	\$ -	\$ 95,817	\$ 946,886
Licenses and permits	70	-	-	-	1,350	1,420
Intergovernmental	223,148	44,990	140,727	65,654	186,849	661,368
Charges for services	8,633	-	-	-	62,937	71,570
Fines and forfeits	23,241	-	-	-	7,228	30,469
Other	32,806	-	-	-	57,891	90,697
Total receipts	<u>855,699</u>	<u>328,258</u>	<u>140,727</u>	<u>65,654</u>	<u>412,072</u>	<u>1,802,410</u>
Disbursements:						
General government	236,653	-	-	1,040	939	238,632
Public safety	362,012	-	-	4,400	4,992	371,404
Highways and streets	18,579	92,657	-	-	157,858	269,094
Sanitation	-	-	-	-	58,547	58,547
Health and welfare	3,600	-	-	25,243	2,757	31,600
Culture and recreation	600	-	-	-	64,025	64,625
Debt service:						
Principal	150,000	-	-	12,841	-	162,841
Interest	7,390	-	-	775	-	8,165
Capital outlay:						
General government	-	-	-	-	28,825	28,825
Total disbursements	<u>778,834</u>	<u>92,657</u>	<u>-</u>	<u>44,299</u>	<u>317,943</u>	<u>1,233,733</u>
Excess of receipts over disbursements	<u>76,865</u>	<u>235,601</u>	<u>140,727</u>	<u>21,355</u>	<u>94,129</u>	<u>568,677</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	16,509	16,509
Transfers out	(12,669)	(3,072)	-	-	(768)	(16,509)
Other disbursements	(13,855)	-	-	-	-	(13,855)
Total other financing sources (uses)	<u>(26,524)</u>	<u>(3,072)</u>	<u>-</u>	<u>-</u>	<u>15,741</u>	<u>(13,855)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	<u>50,341</u>	<u>232,529</u>	<u>140,727</u>	<u>21,355</u>	<u>109,870</u>	<u>554,822</u>
Cash and investment fund balance - beginning	<u>18,687</u>	<u>(78,551)</u>	<u>30,335</u>	<u>102,455</u>	<u>301,275</u>	<u>374,201</u>
Cash and investment fund balance - ending	<u>\$ 69,028</u>	<u>\$ 153,978</u>	<u>\$ 171,062</u>	<u>\$ 123,810</u>	<u>\$ 411,145</u>	<u>\$ 929,023</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 69,028	\$ -	\$ -	\$ -	\$ -	\$ 69,028
Restricted assets:						
Cash and investments	-	153,978	171,062	123,810	411,145	859,995
Total cash and investment assets - December 31	<u>\$ 69,028</u>	<u>\$ 153,978</u>	<u>\$ 171,062</u>	<u>\$ 123,810</u>	<u>\$ 411,145</u>	<u>\$ 929,023</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ 171,062	\$ -	\$ 62,498	\$ 233,560
Public safety	-	-	-	-	26,125	26,125
Highways and streets	-	-	-	-	114,938	114,938
Sanitation	-	153,978	-	-	11,673	165,651
Economic development	-	-	-	123,810	60,324	184,134
Culture and recreation	-	-	-	-	117,196	117,196
Debt service	-	-	-	-	1,120	1,120
Other purposes	-	-	-	-	17,271	17,271
Unrestricted	69,028	-	-	-	-	69,028
Total cash and investment fund balance - December 31	<u>\$ 69,028</u>	<u>\$ 153,978</u>	<u>\$ 171,062</u>	<u>\$ 123,810</u>	<u>\$ 411,145</u>	<u>\$ 929,023</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BICKNELL
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 88	\$ -	\$ 88
Metered water receipts:			
Residential	353,039	-	353,039
Penalties	9,286	21,401	30,687
Other water receipts	33,493	-	33,493
Measured revenue:			
Residential	-	877,313	877,313
Other	-	18,259	18,259
Total operating receipts	395,906	916,973	1,312,879
Operating disbursements:			
Equipment and capital improvements	10,029	18,898	28,927
Water - operations and maintenance	68,130	-	68,130
Treatment and disposal disbursements - operations and maintenance	-	90,243	90,243
Customer accounts	54,035	43,505	97,540
Sales tax disbursements	23,612	-	23,612
Administration and general	11,571	6,563	18,134
Employee pensions and benefits	7,257	8,467	15,724
Purchased power	23,619	49,436	73,055
Material and supplies	36,213	117,814	154,027
Contractual services	1,975	275,625	277,600
Transportation disbursements	4,231	4,696	8,927
Insurance disbursements	9,491	6,075	15,566
Miscellaneous disbursements	33,516	19,404	52,920
Total operating disbursements	283,679	640,726	924,405
Excess of operating receipts over operating disbursements	112,227	276,247	388,474
Nonoperating receipts (disbursements):			
Interest and investment receipts	4,633	3,003	7,636
Miscellaneous receipts	7,416	13,095	20,511
Debt service of principal	(60,000)	(219,990)	(279,990)
Interest and investment disbursement	(51,800)	(109,650)	(161,450)
Miscellaneous disbursements	(6,676)	(9,439)	(16,115)
Total nonoperating disbursements	(106,427)	(322,981)	(429,408)
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	5,800	(46,734)	(40,934)
Transfers in	131,378	504,037	635,415
Transfers out	(131,378)	(504,037)	(635,415)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	5,800	(46,734)	(40,934)
Cash and investment fund balance - beginning	192,399	603,618	796,017
Cash and investment fund balance - ending	\$ 198,199	\$ 556,884	\$ 755,083
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 12,181	\$ 118,231	\$ 130,412
Restricted assets:			
Cash and investments	186,018	438,653	624,671
Total cash and investment assets - December 31	\$ 198,199	\$ 556,884	\$ 755,083
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 148,475	\$ 329,640	\$ 478,115
Other purposes	37,543	109,013	146,556
Unrestricted	12,181	118,231	130,412
Total cash and investment fund balance - December 31	\$ 198,199	\$ 556,884	\$ 755,083

The notes to the financial statements are an integral part of this statement.

CITY OF BICKNELL
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	<u>Agency Funds</u>
Additions:	
Agency fund additions	\$ <u>1,110,851</u>
Deductions:	
Agency fund deductions	<u>1,092,955</u>
Excess of total additions over total deductions	17,896
Cash and investment fund balance - beginning	<u>15,902</u>
Cash and investment fund balance - ending	<u><u>\$ 33,798</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water and wastewater.

The City's financial reporting entity is composed of the following:

Primary Government: City of Bicknell

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The sanitation fund accounts for the City provided sanitation services. This includes trash pick-up and street cleaning. Revenues from trash fees are also accounted for in this fund.

The rainy day fund is used to account for funds in accordance with Indiana Code 36-1-8-5 and a locally adopted ordinance.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The county economic development income tax (CEDIT) fund accounts for all EDIT taxes received from the county. The funds are used by the City for economic development within the city limits.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the City reports the following fund type:

Agency funds account for assets held by the City as an agent for the City Court and employee withholdings.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the water and wastewater and various other functions of the government. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2007, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

<u>Fund</u>	<u>2007</u>
General	<u>\$ 64,643</u>

These disbursements were funded by greater than anticipated receipts from property taxes.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>
General Fund	Other governmental funds	\$ 12,669
Sanitation Fund	Other governmental funds	3,072
Other governmental funds	Other governmental funds	<u>768</u>
Total		<u>\$ 16,509</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss.

Job Related Illness or Injury to Employees

During 1994, the City joined with other governmental entities in the Indiana Public Employees Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illness or injury to employees. The City pays an annual premium to the risk pool for its job related illness or injury to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Subsequent Events

The City entered into a four year lease agreement, on May 19, 2008, for three new police cars. The total value of the lease, including interest, is \$86,484, payable in eight equal installments of \$10,810 per payment. The first payment was made on May 19, 2008, with the final payment due November 19, 2011.

C. Rate Structure – Enterprise Funds

Water Utility

On April 5, 1993, the Common Council adopted Ordinance No. 2-1993 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on May 12, 2008.

Wastewater Utility

The current rate structure was approved by the Common Council on December 15, 2004.

CITY OF BICKNELL
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the year ending December 31, 2007, were \$35,610, equal to the required contributions.

E. State Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank, the proceeds of which are set aside to finance the construction of wastewater utility improvements. Funds are loaned to the City until costs are accrued to the maximum allowed. The wastewater improvement loans established a maximum draw of \$4,250,000. As of December 31, 2007, the loan principal balance was \$1,535,902. Annual debt service requirements for the loans will not be determined until planned construction projects are completed.

CITY OF BICKNELL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Motor Vehicle Highway	Local Road and Street	Park and Recreation	Enforcement Continuing Education	Riverboat	Sanitation - TIP	General Industries Health Clinic
Receipts:							
Taxes	\$ -	\$ -	\$ 95,817	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	1,350	-	-	-
Intergovernmental	121,083	17,351	15,249	-	21,301	-	-
Charges for services	-	-	-	349	-	57,338	5,250
Fines and forfeits	-	-	-	5,076	-	-	-
Other	-	-	-	1,480	-	-	-
Total receipts	121,083	17,351	111,066	8,255	21,301	57,338	5,250
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	4,526	-	-	-
Highways and streets	111,703	44,201	-	-	-	-	1,954
Sanitation	-	-	-	-	-	58,547	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	30,949	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Total disbursements	111,703	44,201	30,949	4,526	-	58,547	1,954
Excess (deficiency) of receipts over disbursements	9,380	(26,850)	80,117	3,729	21,301	(1,209)	3,296
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(768)	-	-	-	-
Total other financing sources (uses)	-	-	(768)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,380	(26,850)	79,349	3,729	21,301	(1,209)	3,296
Cash and investment fund balance - beginning	19,633	87,971	2,478	890	39,944	12,882	21,508
Cash and investment fund balance - ending	<u>\$ 29,013</u>	<u>\$ 61,121</u>	<u>\$ 81,827</u>	<u>\$ 4,619</u>	<u>\$ 61,245</u>	<u>\$ 11,673</u>	<u>\$ 24,804</u>
<u>Cash and Investment Assets - December 31</u>							
Restricted assets:							
Cash and investments	<u>\$ 29,013</u>	<u>\$ 61,121</u>	<u>\$ 81,827</u>	<u>\$ 4,619</u>	<u>\$ 61,245</u>	<u>\$ 11,673</u>	<u>\$ 24,804</u>
Total cash and investment assets - December 31	<u>\$ 29,013</u>	<u>\$ 61,121</u>	<u>\$ 81,827</u>	<u>\$ 4,619</u>	<u>\$ 61,245</u>	<u>\$ 11,673</u>	<u>\$ 24,804</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ 61,245	\$ -	\$ -
Public safety	-	-	-	4,619	-	-	-
Highways and streets	29,013	61,121	-	-	-	-	24,804
Sanitation	-	-	-	-	-	11,673	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	81,827	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 29,013</u>	<u>\$ 61,121</u>	<u>\$ 81,827</u>	<u>\$ 4,619</u>	<u>\$ 61,245</u>	<u>\$ 11,673</u>	<u>\$ 24,804</u>

CITY OF BICKNELL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Community Watch	Trabant Fund General	Judicial Court	Park Donation Skating Rink	Park Donation Westfall	Park Donation Hoover	Demolition Donation
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	2,152	-	-	-	-
Other	-	22,800	-	1,625	19,438	194	-
Total receipts	-	22,800	2,152	1,625	19,438	194	-
Disbursements:							
General government	-	-	939	-	-	-	-
Public safety	25	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	2,500	-	-	-	-	257
Culture and recreation	-	20,300	-	82	10,597	2,097	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Total disbursements	25	22,800	939	82	10,597	2,097	257
Excess (deficiency) of receipts over disbursements	(25)	-	1,213	1,543	8,841	(1,903)	(257)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(25)	-	1,213	1,543	8,841	(1,903)	(257)
Cash and investment fund balance - beginning	200	-	40	9,392	9,151	8,345	257
Cash and investment fund balance - ending	<u>\$ 175</u>	<u>\$ -</u>	<u>\$ 1,253</u>	<u>\$ 10,935</u>	<u>\$ 17,992</u>	<u>\$ 6,442</u>	<u>\$ -</u>
<u>Cash and Investment Assets - December 31</u>							
Restricted assets:							
Cash and investments	<u>\$ 175</u>	<u>\$ -</u>	<u>\$ 1,253</u>	<u>\$ 10,935</u>	<u>\$ 17,992</u>	<u>\$ 6,442</u>	<u>\$ -</u>
Total cash and investment assets - December 31	<u>\$ 175</u>	<u>\$ -</u>	<u>\$ 1,253</u>	<u>\$ 10,935</u>	<u>\$ 17,992</u>	<u>\$ 6,442</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
General government	\$ -	\$ -	1,253	\$ -	\$ -	\$ -	\$ -
Public safety	175	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	10,935	17,992	6,442	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 175</u>	<u>\$ -</u>	<u>\$ 1,253</u>	<u>\$ 10,935</u>	<u>\$ 17,992</u>	<u>\$ 6,442</u>	<u>\$ -</u>

CITY OF BICKNELL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Trabant Fund Fire	Police Trust	Police Dog Donations	Equipment Debt	Capital Improvement	Levy Excess	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,817
Licenses and permits	-	-	-	-	-	-	1,350
Intergovernmental	-	-	-	-	11,865	-	186,849
Charges for services	-	-	-	-	-	-	62,937
Fines and forfeits	-	-	-	-	-	-	7,228
Other	6,431	231	-	-	4,930	762	57,891
Total receipts	6,431	231	-	-	16,795	762	412,072
Disbursements:							
General government	-	-	-	-	-	-	939
Public safety	177	-	264	-	-	-	4,992
Highways and streets	-	-	-	-	-	-	157,858
Sanitation	-	-	-	-	-	-	58,547
Health and welfare	-	-	-	-	-	-	2,757
Culture and recreation	-	-	-	-	-	-	64,025
Capital outlay:							
General government	-	-	-	-	28,825	-	28,825
Total disbursements	177	-	264	-	28,825	-	317,943
Excess (deficiency) of receipts over disbursements	6,254	231	(264)	-	(12,030)	762	94,129
Other financing sources (uses):							
Transfers in	-	-	-	-	-	16,509	16,509
Transfers out	-	-	-	-	-	-	(768)
Total other financing sources (uses)	-	-	-	-	-	16,509	15,741
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,254	231	(264)	-	(12,030)	17,271	109,870
Cash and investment fund balance - beginning	8,777	6,069	264	1,120	72,354	-	301,275
Cash and investment fund balance - ending	<u>\$ 15,031</u>	<u>\$ 6,300</u>	<u>\$ -</u>	<u>\$ 1,120</u>	<u>\$ 60,324</u>	<u>\$ 17,271</u>	<u>\$ 411,145</u>
<u>Cash and Investment Assets - December 31</u>							
Restricted assets:							
Cash and investments	<u>\$ 15,031</u>	<u>\$ 6,300</u>	<u>\$ -</u>	<u>\$ 1,120</u>	<u>\$ 60,324</u>	<u>\$ 17,271</u>	<u>\$ 411,145</u>
Total cash and investment assets - December 31	<u>\$ 15,031</u>	<u>\$ 6,300</u>	<u>\$ -</u>	<u>\$ 1,120</u>	<u>\$ 60,324</u>	<u>\$ 17,271</u>	<u>\$ 411,145</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,498
Public safety	15,031	6,300	-	-	-	-	26,125
Highways and streets	-	-	-	-	-	-	114,938
Sanitation	-	-	-	-	-	-	11,673
Economic development	-	-	-	-	60,324	-	60,324
Culture and recreation	-	-	-	-	-	-	117,196
Debt service	-	-	-	1,120	-	-	1,120
Other purposes	-	-	-	-	-	17,271	17,271
Total cash and investment fund balance - December 31	<u>\$ 15,031</u>	<u>\$ 6,300</u>	<u>\$ -</u>	<u>\$ 1,120</u>	<u>\$ 60,324</u>	<u>\$ 17,271</u>	<u>\$ 411,145</u>

CITY OF BICKNELL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2007

	City Court	Payroll	Police Pension (PERF 77 Fund)	Totals
Additions:				
Agency fund additions	\$ 62,306	\$ 980,808	\$ 67,737	\$ 1,110,851
Deductions:				
Agency fund deductions	68,656	978,967	45,332	1,092,955
Excess (deficiency) of total additions over total deductions	(6,350)	1,841	22,405	17,896
Cash and investment fund balance - beginning	6,486	1,836	7,580	15,902
Cash and investment fund balance - ending	<u>\$ 136</u>	<u>\$ 3,677</u>	<u>\$ 29,985</u>	<u>\$ 33,798</u>

CITY OF BICKNELL, INDIANA

CLERK-TREASURER'S OFFICE

119 East Second Street • P.O. Box 127
Bicknell, IN 47512

Phone: 812-735-4636 Fax: 812-735-3316

CITY OF BICKNELL SUPPLEMENTARY INFORMATION SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 447,028
Buildings	1,981,619
Improvements other than buildings	317,846
Machinery and equipment	<u>954,984</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 3,701,477</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 6,750
Buildings	231,656
Improvements other than buildings	3,750,748
Machinery and equipment	149,807
Transportation equipment	<u>62,378</u>
Total Water Utility capital assets	<u>4,201,339</u>

Wastewater Utility:	
Capital assets, not being depreciated:	
Land	44,063
Buildings	172,350
Improvements other than buildings	4,422,580
Machinery and equipment	115,537
Transportation equipment	<u>45,502</u>
Total Wastewater Utility capital assets	<u>4,800,032</u>

Total business-type activities capital assets	<u>\$ 9,001,371</u>
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CITY OF BICKNELL, INDIANA

CLERK-TREASURER'S OFFICE

119 East Second Street • P.O. Box 127
Bicknell, IN 47512

Phone: 812-735-4636 Fax: 812-735-3316

CITY OF BICKNELL SUPPLEMENTARY INFORMATION SCHEDULE OF LONG-TERM DEBT December 31, 2007

The City has entered into the following debt:

<u>Description of Debt</u>	<u>Ending Principal Balance</u>	<u>Principal Due Within One Year</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1979 water revenue bonds for improvements	\$ 1,006,000	\$ 63,000
Total Water Utility	<u>1,006,000</u>	<u>63,000</u>
Wastewater Utility		
Loan payable:		
2006 SRF loan for wastewater improvements	<u>1,535,902</u>	<u>169,298</u>
Total Wastewater Utility	<u>1,535,902</u>	<u>169,298</u>
Total business-type activities debt:	<u>\$ 2,541,902</u>	<u>\$ 232,298</u>

CITY OF BICKNELL
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

Records presented for audit indicated the following expenditure in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2007	<u>\$ 64,643</u>

A similar comment has appeared in prior reports.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

COMPENSATION AND BENEFITS

Steve Volling, Common Council President, received \$720 in 2007 for per diem to attend Knox County Area Plan Commission meetings. These payments were not included in the payroll system or on the salary ordinance or resolution.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

It was documented that receipts were deposited later than the next business day on 40% of the receipts reviewed during the audit. On average, the deposit date was 10 days later than the receipt date and in one instance it was 15 days later.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the police department are immediately put into a lockbox. The City Judge and Clerk-Treasurer are the only persons with the keys to the box. The Clerk-Treasurer is responsible for unlocking the box and taking out the receipts to be deposited on the next business day. Receipts remained in the lockbox up to 25 days until the Clerk-Treasurer removed them and it appeared the Clerk-Treasurer picked up receipts from the department once a month instead of at least once a week.

CITY OF BICKNELL
AUDIT RESULTS AND COMMENTS
(Continued)

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

BANK ACCOUNT RECONCILIATIONS (Applies to City Court)

Incorrect depository reconciliations of the fund balances to the bank account balances were presented for audit.

A similar comment has appeared in prior reports.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CONDITION OF RECORDS (Applies to City Court)

Financial records presented for audit were incomplete and not reflective of the activity of the City Court Fund. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

A similar comment has appeared in prior reports.

Each city and town court is required to use official records and forms that are designated by the legislature or prescribed or approved by the State Board of Accounts or State Court Administrator office of the Supreme Court. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

DEPOSITS OF FUNDS (Applies to City Court)

Deposits were not made intact. Testing of deposits reflected money orders deposited in an amount different than the receipt. Documentation was not found reflecting the issuance of a check for any overpayments. Deposits were made for the exact amount of the receipts. Also, there was no documentation on the receipt showing whether a receipt was a cash or check collection.

A similar comment has appeared in prior reports.

All funds collected by a city or town court shall be deposited not later than the business day following the receipt of funds in depositories selected by the city or town as provided in an ordinance adopted by the city or town and approved as depositories of state funds. All funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF BICKNELL, KNOX COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Bicknell (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 10, 2008

CITY OF BICKNELL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458		
WW 05 06 42 1			<u>\$ 723,291</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF BICKNELL
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Bicknell (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF BICKNELL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? no

Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified? no

Reportable conditions identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF BICKNELL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF BICKNELL
EXIT CONFERENCE

The contents of this report were discussed on July 10, 2008, with Earl Horst, Water Superintendent; Rebecca L. McGlone, Utility Office Manager; Jon G. Flickinger, Mayor; and Brenda Flickinger, former Clerk-Treasurer. The officials concurred with our audit findings.